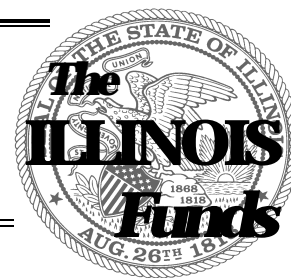


# THE I/FAX



ADMINISTERED BY ILLINOIS STATE TREASURER ALEXI GIANNOULIAS

Contact us at [www.illinoisfunds.com](http://www.illinoisfunds.com) or 1-800-346-7414

NOVEMBER 2008

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## Safety: The Top Priority of the Illinois Funds

*By Randy Coffey*

Keeping public funds safe has always been the top priority of the Illinois Funds. As a result, we have procedures in place to reduce our investors' exposure to risk.

Repurchase agreements (repos) make up a large percentage of the portfolio of both the Illinois Funds Money Market Fund and Prime Fund. All repos that we invest in are collateralized at 102% of their value by U.S. Treasuries and Agencies. It is important to note that this collateral is *not simply pledged* to us. Instead, we take possession of the collateral itself, thus providing a high level of safety for the public entities that invest their money in the Illinois Funds.

Furthermore, the first \$250,000 of every time deposit we purchase is protected by FDIC insurance. Every dollar above \$250,000 invested in each time deposit is collateralized at 105% of its value by U.S. Treasuries and Agencies. Again, the Illinois Funds takes possession of the collateral, ensuring a high level of safety.

A portion of the Prime Fund's portfolio is invested in commercial paper. It is important to note that the Illinois Funds only invests in the highest grade commercial paper available in the marketplace - A1P1. By only investing in top grade commercial paper, we are able to provide additional safety to the public funds invested in Prime Fund.

At the Illinois Funds, we understand that you take extra precautions to ensure that your constituents' tax dollars are as protected as possible. Because of our emphasis on safety, Standard & Poor's has once again given us their highest grade - AAAm.

If you have any questions about safety, do not hesitate to call the Illinois Funds at (800) 346-7414 today.

## MARKET PERSPECTIVE

*By Mark Polistina*

### The Rescue Plan in Action

We are now a few weeks past the implementation of the Rescue Plan. Now the stark reality of our current economic condition is becoming known. The tumultuous period of late summer and early fall appears to be waning, and the crisis mode much of Wall Street and our Federal Government operated under can take a breath. During such times, pragmatism must be outweighed by training and reactionary management. In essence, we were forced to stop the bleeding before we worried about the surgery. Now the real work begins and the pieces need to be cleaned up and then put together.

The massive amounts of Government intervention aren't going to come without a price. Today we are paying the first installment. The large amounts of liquidity that were required to keep the economic wheels moving are the direct cause of our current overnight levels of less than ¼%. Other affects include a short term reduction in asset prices. For example: Home prices will likely continue to decline, and likely at a fairly quick pace; Stock and Bond values will remain suppressed by a weak economy for a while yet, and so on. The weakness in our economy for the coming months will continue lower before it gets stronger. The dislocation and weakness in the financial markets were a precursor to our broader economic woes in the future.

Now is the time for pragmatism. We have most likely moved into the second stage of the crisis, where it is the time when getting it right outweighs getting it done. Our Country and Government has an uncanny ability to have the right people in the right place at the right time. This has lead

to a history of getting things done correctly. The good news is that our economy and our financial markets will rebound and quite possibly before most realize it.

### Markets

Our anticipation is for a continued bumpy ride for the remainder of the year. Further, the threat of inflation has been taken off of the table for the next six months or longer. If our view is correct, rates will remain within 25 to 50 basis points of their current levels for some time.

*Mark Polistina is the Portfolio Manager for the Illinois Funds.*

## Thanksgiving Holiday Schedule

The Illinois Funds will close early on Wednesday, November 26 and Friday, November 28. Also, the Illinois Funds will be closed on Thursday, November 27 for Thanksgiving Day.

All early closes will occur at 12:00 noon. If you have any questions about inbound or outbound wire transfers on November 26 and/or 28, please call U.S. Bank at (800) 947-8479.

### Yesterday's Rates 11/11/08

#### Money Market Fund

**0.868%**

#### Prime Fund

**1.008%**



# Safety, Liquidity and Yield



Illinois Funds yields for the period ending 10/31/08

## Money Market Fund (Daily Liquidity)

## Prime Fund (7-day Liquidity) after 30-day minimum term

Net Portfolio Assets (in millions)	\$4,908	Net Portfolio Assets (in millions)	\$1,586
Monthly Investment Earnings (in 1000's)	\$5,078	Monthly Investment Earnings (in 1000's)	\$1,999
7 Day Yield*	1.15%	7 Day Yield*	1.35%
One Month Yield*	1.18%	One Month Yield*	1.37%
Net Asset Value (per share)	\$1.00	Net Asset Value (per share)	\$1.00
Weighted Average Maturity	28	Weighted Average Maturity	38
*Yield Net of Fees		*Yield Net of Fees	

## Monthly Public Sector Rate Comparison

The Illinois Funds, MMF	1.18%	The Illinois Funds, Prime	1.37%
S&P Govt Inv Pool-Govt Fund Index	1.79%	S&P Govt Inv Pool-Taxable Funds Index	2.15%
IL School Dist Liquid Asset	2.12%	IL School Dist Liquid Asset Max	2.27%
3 Month Treasury Bill	0.64%	3 Month Treasury Bill	0.64%
6 Month Treasury Bill	1.17%	6 Month Treasury Bill	1.17%

## Monthly Private Sector Rate Comparison

The Illinois Funds, MMF	1.18%	The Illinois Funds, Prime	1.37%
IMoneynet™ - Govt. Institutional	0.91%	Federated Govt Obligations	1.76%
Fidelity - 695 Treas Fund	0.33%	Fidelity - 57 Govt Fund	1.83%
Goldman Fin Sq Treas Fund - 468	0.49%	Goldman Fin Sq Govt Fund - 465	1.93%
30 Day Time Deposit	2.08%	90 Day Time Deposit	2.81%

## FUND COMPOSITIONS

### Money Market Fund

53.3% - Repurchase Agreements  
7.1% - Money Market Funds  
3.5% - Certificates of Deposit  
0.0% - Treasury Bills  
36.1% - U.S. Government Agencies

### Prime Fund

55.2% - Repurchase Agreements  
2.0% - Certificates of Deposit  
29.5% - US Government Agencies  
0.7% - Money Market Funds  
12.6% - Commercial Paper

### E-Pay Account Rate

0.868% 11/11/08

1-866-831-5240

[www.illinoisepay.com](http://www.illinoisepay.com)

### Rapid Revenue Acct. Rate

0.868% 11/11/08

1-800-346-7414

Visit our website at [www.illinoisfunds.com](http://www.illinoisfunds.com) for further information.